

DIXON PUBLIC LIBRARY DISTRICT 2008 LIBRARY FACILITIES FEE UPDATE

APRIL 4, 2008



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2008 LIBRARY FACILITIES INFLATION UPDATE

This report provides an inflation update to the library facilities impact fee to reflect current costs for expanding facilities for the Dixon Public Library District (District).

INTRODUCTION

LIBRARY FACILITIES IMPACT FEE HISTORY

In 2004, MuniFinancial prepared the *Library Facilities Impact Fee Report*, which was used to establish a library facilities impact fee for the District, identifying the contribution from new development necessary to fund library facilities needed by the year 2020. Since the 2004 report, MuniFinancial has prepared a number of reports updating the fee to consider changes in the cost of library facilities and demographics within the District.

- ◆ Using population estimates developed for an overall update to impact fees in Solano County, the *2005 Library Facilities Fee Update* recalculated the fee using new estimates of the service population and changes in the cost of constructing and equipping library facilities.
- ◆ MuniFinancial submitted *Library Facilities Fee Update* reports in 2006 and 2007. These studies adjusted the fees for inflation and established a revised fee schedule.

This report updates unit costs to reflect an inflation increase from 2007 to 2008. As a result of this update, the estimated cost per capita of library facilities and the library facilities impact fees have increased approximately 2.3 percent.

INFLATION INDICES COMPARISON

This report estimates the current costs of constructing library space and providing library materials and updates previous fees for changes in the cost of library facilities. **Table 1** summarizes the indices and the inflation factors used to update facility costs. The figures used in each index represent the annual average for the years indicated. The changes in the indices between the previous two years are used to adjust the fees for the current year (2008).

The *Engineering News-Record (ENR)* annual average Building Cost Index (BCI) was used to inflate the estimated cost of building construction. According to the *ENR*, the BCI is more appropriate than the Construction Cost Index (CCI) for this purpose because it reflects increases in the cost of skilled labor. The CCI, which is more materials-intensive and reflects increases in the cost of common labor, is better suited to estimate increases in site preparation costs, which are not significant for the facilities considered in this report. Consequently, only the change in the BCI has been applied to construction costs for this update. Since the 2007 annual average BCI is the most recent annual average available at the time of this update, it is used to compute the current fee. Between 2006 and 2007, the BCI increased from 4,369 to 4,485, representing a 2.7 percent increase.

The annual average Consumer Price Index (CPI) for Recreational Books was used for library volumes. The Bureau of Labor Statistics does not make this CPI data available by geographic

area so the United States City Average was used. The index has increased from 103.6 to 104.1, a change of 0.5 percent.

Table 1: Cost Component Price Changes

Cost Component	Price Index Used	Applicable Geographical Area	2007		Percent Change
			2006	2007	
Construction	ENR, Building Cost Index	20-City Average	4,369	4,485	2.7%
Library Volumes	CPI, Recreational Books	U.S. City Average	103.6	104.1	0.5%

Note: Figures represent the annual averages for the years indicated.

Sources: *Engineering News-Record* Cost Indices; U.S. Bureau of Labor Statistics; MuniFinancial.

FACILITY COSTS

Table 2 presents the updated unit costs based on the price changes presented in Table 1.

Table 2: Estimated Library Unit Costs

Facility Type	2007 Cost	Percent Change	2008 Cost
Library Building (per square foot) ¹	\$ 490.97	2.7%	\$ 504.23
Library Volume ²	53.02	0.5%	53.29

¹ Cost includes land, site preparation, construction, furnish/fixtures, and special equipment.

Sources: Table 1; *Dixon Public Library District 2007 Library Facilities Fee Update*, Table 2; MuniFinancial

Table 3 presents the updated cost per capita of providing library facilities at the service levels the District is planning for as identified in the *2004 Library Facilities Impact Fee Report*. The cost per capita has increased \$13, or 2.3 percent, from the cost per capita of \$573 calculated in the 2007 Fee Update.

Table 3: Library Costs Per Capita

Facility Type	Unit Cost	Facility Standard ¹	Cost per Capita
Library Building	\$ 504.23	0.936	\$ 472
Library Volume	53.29	2.14	114
Total Cost per Resident			\$ 586
Cost per Employee ²			59

¹ Square feet per capita or volumes per capita.

² Employees are weighted at 0.10 of residents based on estimated library usage. See *2004 Library Facilities Impact Fee Report*.

Sources: Table 2; *2004 Library Facilities Impact Fee Report*, Table 3.2.

REVISED LIBRARY FACILITIES FEES

Table 4 presents the updated library facilities fee schedule. For residential construction, the fee per dwelling unit is based on the per capita cost to provide library facilities, along with the estimated average number of residents in each type of dwelling unit. For nonresidential construction, the fee per thousand square feet of space is calculated using the cost per employee of library facilities and the estimated number of employees per thousand square feet in each land use category. An administrative charge of two percent is also applied. Funds from the administrative component can be used to offset the cost of fee documentation, implementation and accounting procedures as required under the *Mitigation Fee Act*.

Table 4: Fee Schedule

Land Use	Costs per Capita	Density ¹	Fee ²	Administrative Cost ³	Total Fee
<i>Residential</i>					
Single Family	\$ 586	3.16	\$ 1,852	\$ 37	\$ 1,889
Multi-family	586	3.14	1,840	37	1,877
Second Dwelling Unit	586	1.50	879	18	897
<i>Nonresidential</i>					
Retail	\$ 59	2.00	\$ 118	\$ 2	\$ 120
Office	59	3.33	196	4	200
Industrial	59	1.40	83	2	85
Warehouse	59	0.42	25	1	26

¹ Persons per dwelling unit or employees per 1,000 square feet. See 2004 Library Facilities Impact Fee Report Table 2.3.

² Per dwelling unit for residential or per 1,000 square feet for nonresidential.

³ Two percent of the impact fee. Administrative costs include such as costs for fee studies, collection, accounting, and annual reporting required by the California Government Code.

Source: Table 3; 2004 Library Facilities Impact Fee Report; Table 2.3; MuniFinancial.

Table 5 shows the updated fee as shown in Table 4, the 2007 library facilities impact fee, and the change from the prior fee to the current fee.

Table 5: Fee Comparison

Land Use	Prior Fee	Current Fee	Change
<i>Residential</i>			
Single Family	\$ 1,846	\$ 1,889	\$ 43
Multi-family	1,834	1,877	43
Second Dwelling Unit	877	897	20
<i>Nonresidential</i>			
Retail	\$ 117	\$ 120	\$ 3
Office	195	200	5
Industrial	82	85	3
Warehouse	24	26	2

Sources: Table 4; 2007 Library Facilities Fee Update, Table 4; MuniFinancial.

NON-FEE FUNDING NEEDS

EXISTING FACILITIES DEFICIENCIES

The library facilities impact fee established in the *2004 Library Facilities Impact Fee Report* (2004 Report) and updated here is based on needs for library facilities identified in the *Dixon District Library Proposed Renovation and Expansion, October 2002* master plan. The library facilities impact fee may only be used to fund facilities to serve new development and may not be used to increase the level of service provided to existing development. The facility standards in the master plan are significantly higher than the level of service the District currently provides, with more volumes and more square footage of library space per capita. Therefore, the share of new facilities costs attributable to existing development is substantial. This gap between existing facilities and the desired future level of service for existing development can be referred to as the “existing deficiency.”

MuniFinancial estimated the existing deficiency in the 2004 Report. **Table 6** updates the 2004 estimate to current dollars using the updated estimates of the cost per square foot of library construction and the cost per book. The cost of the seismic retrofit needed for the existing Carnegie Library building has been updated from 2004 dollars using the Building Cost Index. The cost of the retrofit was attributable solely to the existing deficiency in the 2004 Report because it was deemed necessary for the continued use of the existing library. In current dollars, the cost of planned library facilities that must be funded by sources other than the impact fee is estimated at approximately \$12.3 million.

The District must identify funding sources sufficient to remedy the existing deficiency within the planning horizon (through 2020). If this funding does not materialize, then new development will have paid too high a fee.

Table 6: Existing Deficiencies

	Existing Deficiency	
<i>Libraries</i>		
Existing Deficiency (building square feet)	18,920	
Cost per Square Foot	\$ 504	
Subtotal	\$ 9,536,000	
Carnegie Library Rehabilitation	<u>1,689,000</u>	
Building Existing Deficiency Cost		\$ 11,225,000
Existing Deficiency (books/volumes)	19,850	
Cost per Volume	\$ 53	
Volumes Existing Deficiency Cost		<u>\$ 1,052,000</u>
Total Existing Deficiencies Cost		\$ 12,277,000

Sources: *2004 Library Facilities Impact Fee Report*; MuniFinancial.

EFFECTS OF INFLATION ON IMPACT FEE FUND BALANCES

The interest rate earned on unexpended impact fee fund balances can influence the adequacy of fee revenue to fund planned facilities. Impact fee revenue may be deficient to fund planned facilities if the inflation rate in the cost of library facilities is greater than the interest rate earned on unexpended impact fee fund balances. On the other hand, if impact fee fund balances earn a significantly higher interest rate than the increase in facilities costs, the agency may have over-collected impact fee revenue for the planned facilities.

According to the Dixon Public Library District, the impact fee account earned 4.9 percent interest in 2007. This is higher than the estimated 2.3 percent library facility cost inflation over the same time period. The original construction cost estimates used as a basis for the fee were developed for the initial fee study in 2004. Given the long range planning horizon for this analysis (2020) and the uncertainty associated with facilities cost estimates, any discrepancy between changes in facilities costs and interest earnings would not have a significant effect on the fee calculation at this time. We recommend that the District conduct a comprehensive fee update next year using current construction cost estimates so that the fee continues to reasonably reflect current costs and fund balances.

TO: Governing Board of Library Trustees

FROM: Gregg Atkins, District Librarian

DATE: April 17, 2008

RE: RECOMMENDATION TO UPDATE EXISTING LIBRARY FACILITIES FEE FOR INFLATION AND SET FEES FOR 2008-09

The annual review of actual costs for the building of a new library facility (for which the District collects development fees) has been conducted by MuniFinancial under contract with the District. This review (attached) shows that the fees should be increased by 2.3% to cover additional costs covered by inflation.

I recommend that the Governing Board of Library Trustees increase the fees by 2.3% because of inflation so as to reflect current costs for expanding facilities for the Dixon Public Library District, and establish the 2008-09 fees (effective July 1, 2008) as shown below:

Proposed 2008-09 Fee Schedule

LAND USE	COSTS PER CAPITA	DENSITY	FEE Per Dwelling	ADMINISTR COST	TOTAL FEE
<i>Residential</i>					
Single Family	\$ 586	3.16	\$ 1,852	\$ 37	\$ 1,889
Multi-family	\$ 586	3.14	\$ 1,840	\$ 37	\$ 1,877
2 nd Dwelling	\$ 586	1.50	\$ 879	\$ 18	\$ 897
LAND USE	COSTS PER CAPITA	DENSITY	FEE Per 1,000 Square Feet	ADMINISTR COST	TOTAL FEE
<i>NonResidential</i>					
Retail	\$ 59	2.00	\$ 118	\$ 2	\$ 120
Office	\$ 59	3.33	\$ 196	\$ 4	\$ 200
Industrial	\$ 59	1.40	\$ 83	\$ 2	\$ 85
Warehouse	\$ 59	0.42	\$ 25	\$ 1	\$ 26